

My submission is brief. We need to simplify our tax system, be competitive with OECD nations and the nations we compete against and face up to using GST as a much greater tax raising tool. I watch the national debate on GST and the effect on lower income earners and wonder if basic economics is being ignored. Australia does not operate in a vacuum. Increasing income tax and the complexity of the current system on companies and individuals over time has 3 effects:

- 1) Increases prices for goods and services which everyone pays for and in particular lower income earners or welfare recipients. If a company makes less net profit after tax or an individual takes home less pay after tax over time they will seek more gross earnings. Because of complexity the cost of financial advisors is another inhibitor. Therefore why the reluctance to increase the GST which will have the same effect anyway and be more efficient in that it is less prone to avoidance?
- 2) Putting us at a competitive disadvantage because
 - a) Australia won't attract as much investment capital from Australia or overseas if it's tax is uncompetitive all things being equal and this lowers employment prospects and our economic growth
 - b) Australian talent will tend to leave this country if they are not rewarded for effort and risk if there are competing opportunities
 - c) High quality overseas talent is less likely to want to migrate for the same reasons.
- 3) Lower savings and investment availability either directly or via superannuation funds

If our welfare spending continues to outstrip our capacity to afford it, I think a rising GST is a sad but clear indicator to the community that Governments need to address this problem. GST should be the 'canary in the coal mine' for the economy if we have tuned our income tax and other taxes to levels that are competitive to other OECD nations and also our competitors in coal, iron ore, agriculture, tourism and education. Having PAYG that is significantly greater than our competitors is just unwise.

Superannuation. I have never had the intention of accessing the pension. I have worked extremely hard to put enough superannuation behind me to live well and comfortably in the future. But recent discussion in the public arena on an effectively retrospective increase in superannuation tax if it occurs is a betrayal of the 'accord' made when superannuation was introduced. I never expect nor want the pension and I do not understand how high worth individuals apply for and were allowed to take a pension. This is just not right and is Government incompetence. If someone in a \$3 mill house with no funds to live on is allowed to get a pension and not forced to make the common sense decision of downsizing and accessing their tax free home equity, and instead this results in superannuation tax increases on funds for people that are not a burden on the system, then this is madness. If high worth individuals start to believe you are going to tax superannuation at a higher rate because Governments won't fix the pension rorts and welfare mess, then these are the people who have the smarts and resources to unwind their superannuation funds and look at alternatives outside of the system overseas. So I think there is a potential for a flight of capital from Australia if any increase in superannuation tax is introduced. If an increase in taxation on superannuation is truly warranted then this must be phased in and superannuation funds have to be split into before and after tax increase funds. More complexity again – really we should leave superannuation at 15%. The real problem in this country is welfare, we all know it and the GST is the better tool to balance the books and not destroy investment and job creating enterprise by increasing PAYG, company or superannuation taxes.

